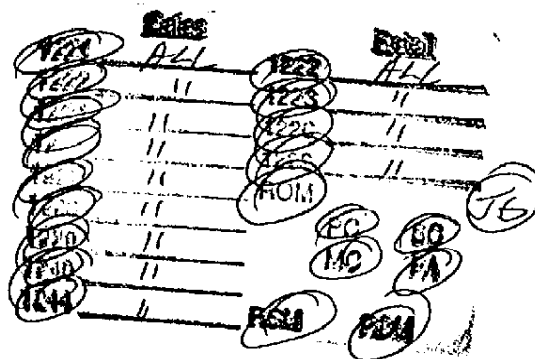




June 18, 1998



Dear Fellow Employees:

Yesterday, the McCain bill was defeated in the Senate. The bill was defeated because the American people were able to clearly see that this was not about stopping kids from smoking, but just another Washington tax and spend policy. The bill was about more taxes for bigger government.

The defeat of the McCain bill demonstrates how far afield this legislation was from the reasonable, comprehensive approach to tobacco issues agreed to by representatives of the public health community, state attorneys general and the tobacco industry on June 20, 1997. The Senate missed a unique opportunity to adopt a rational, common-sense approach to resolving a range of issues.

We are pleased that the McCain bill was defeated, but the fight is not yet over. Some members of the Senate have vowed to continue pursuing tobacco legislation. In addition, the House has not yet begun to consider tobacco legislation, so the debate is likely to continue for the next several months.

In the meantime, we will continue to engage the American people in the public policy debate, just as we have been doing. Your efforts in this debate to date have been critical in helping to defeat the McCain bill. Keep up the good work. We will continue to keep you posted on any new developments.

Sincerely,

Andrew J. Schindler
President and CEO

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"We work for smokers."